

We report

Annual report 2023



In many cultures, fruits, flowers, roots and other plants symbolise life, wealth and fertility. Their inside, sometimes protected by a hard shell, is valuable. They supply us with nourishment and season our foods. We value them sometimes as a remedy. Some seem exotic. Others are familiar. The rarest fruits are the most valuable. Similarly, the AP Alternative Portfolio has a versatile character and displays increasing utility. It comprises a sophisticated selection of alternative investment opportunities. A particularly rigorous selection distinguished a multi-faceted investment process. Risk diversification was systematic and broad. Responsibility for it rests with a skilled UBS Investment Team of experienced specialists, a team that has remained stable for many years.

AP Alternative Portfolio. A proven selection of first-class investments with an attractive earnings potential.



This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. This report also appears in German. The German version is the binding version.

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1. Letter to shareholders

Dear Shareholders,

The past fiscal year 2023 was once again characterized by a challenging and volatile market environment. Global factors such as high interest rates, above-average inflation, geopolitical tensions, and crises in financial institutions in the USA and Europe significantly influenced stock market activity. Despite these challenges, there were positive developments, particularly driven by excitement around innovations like Artificial Intelligence and the anticipation of an upcoming interest rate change, leading to a yearend rally. The Nasdaq 100 posted its best annual performance since 1999, with a gain of 55.1%, driven by a select group of large technology stocks.

Despite a recovery in the stock markets in the last quarter, our company recorded a negative result for fiscal year 2023. Portfolio realizations remained low. The board is currently assessing various measures to accelerate the realization strategy in this demanding environment. A key finding is that a potential share purchase by large investors is unrealistic due to the obligation for a potential investor to make a mandatory offer to all shareholder. In order to solve this circumstance, the board of directors will ask shareholders to vote in favor for opting out in the next annual general meeting.

Following the record year of 2021 with a return of 34.39%, fiscal years 2022 and 2023 were marked by portfolio valuation adjustments. After a decline of 21.51% in 2022, the downward trend stabilized in

2023 with a result of -2.56%. Persistent high inflation and interest rates strained company profit margins, necessitating adjustments in our target funds.

The fiscal year 2023 did not show a clear trend for specific regions or investment strategies, resulting in a mixed picture. Venture capital and buyout funds were equally represented among winners and losers. Prominent funds and fund managers such as Accel Partners, Silver Lake Partners, NEA, Battery Venture, and Madison Dearborn contributed to the annual outcome.

The private equity portfolio recorded a negative gross return of -8.87% for the reporting period (based on provisional financial statements of underlying funds), while the Total Value Multiple remained stable at 1.72x. The global buyout fund Silver Lake Partners III made the most significant positive contribution to the annual return, while the U.S.-based venture capital fund Mayfield XIV and the European buyout fund BC European Capital IX made the largest negative contributions.

Distributions in 2023 mainly came from global buyout funds such as Silver Lake Partners III and Madison Dearborn VI, as well as the global growth capital fund Accel Growth II. Together, these accounted for over a quarter of the distributions. The distributions from Silver Lake Partners III were largely related to the merger of technology companies Broadcom Inc. (NASDAQ: AVGO) and VMware, Inc. (NYSE: VMW), and their subsequent sale.

Since 2013, AP Alternative Portfolio AG has not made further capital commitments to new private equity target funds and therefore experienced only minimal capital calls. The portfolio continued to generate positive cash flow, as it has in recent years.

Due to lower liquidity inflows, AP Alternative Portfolio AG paid a dividend of CHF 5 per share in fiscal year 2023, equivalent to 2% of the net asset value per share. Since its listing in 2014, AP Alternative Portfolio AG has paid total dividends of CHF 338 per share as of the end of 2023. The average discount to the net asset value (NAV) in 2023 increased to 22.03% (compared to the previous year with average discounts of 17.96%)

On behalf of the Board of Directors, we thank you for your support despite ongoing geopolitical challenges and economic uncertainties. We remain confident in maintaining the course of AP Alternative Portfolio AG and successfully completing our realization strategy in the years ahead.

Kind regards,



Left: Dr. Ulrich Niederer

Right: Prof. Dr. Rolf Watter

Dr. Ulrich Niederer

Chairman of the Board of Directors
AP Alternative Portfolio AG

Prof. Dr. Rolf Watter

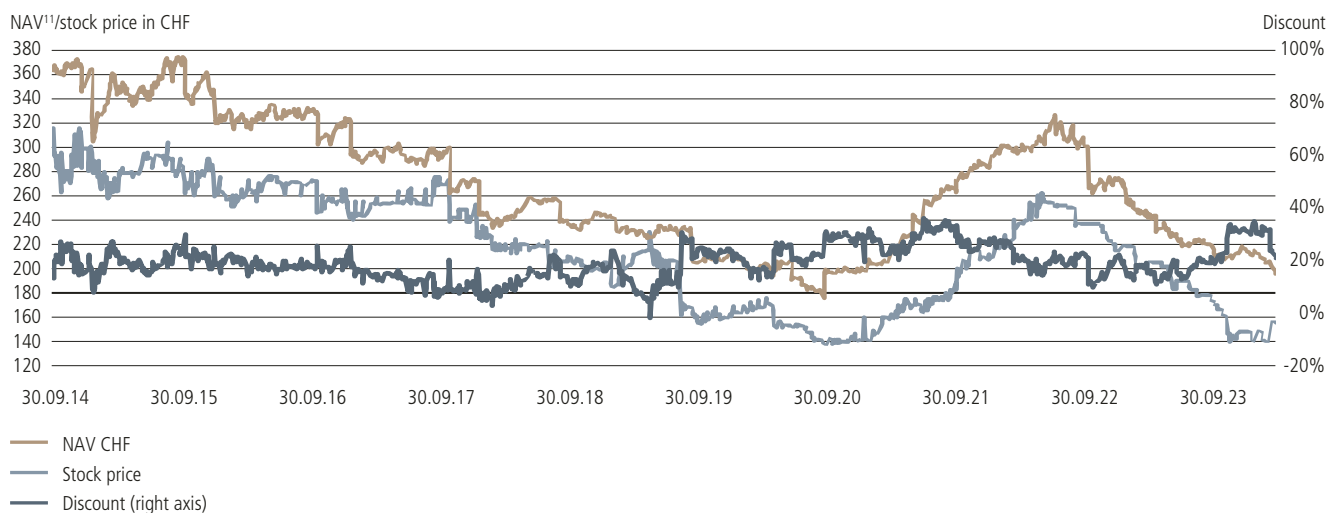
Vice-Chairman of the Board of Directors
AP Alternative Portfolio AG

2. Financial highlights

Financials as of December 31, 2023

	Based on audited statements as of December 31, 2023	Based on audited statements as of December 31, 2022
Net asset value (NAV) per share in USD	234.54¹	245.28¹
Net asset value (NAV) per share in CHF	197.41 ³	226.71 ³
Dividends per share in CHF	5.00	10.00
Cash per share used for share buy backs in CHF	— ⁵	97.00 ⁵
Closing stock price in CHF	155.30	202.50
Discount to NAV in %	-21.33%	-10.68%
Shareholders' equity in USD m	47.15	49.31
Number of issued shares	201,029	201,029
Number of own shares	—	—
Performance (NAV) of the financial year	-2.56% ⁷	-21.51% ⁷
Performance (NAV) since inception (1.11.2000)	279.85% ⁹	289.84% ⁹

NAV and stock price since listing



¹ Provisional figures of December 31, 2023: 233.54

² Provisional figures of December 31, 2022: 263.16

³ CHF/USD FX-rate: 0.8417

⁴ CHF/USD FX-rate: 0.9243

⁵ Es wurde kein Aktienrückkauf in 2023 durchgeführt.

⁶ CHF 19,499,940 / 201,029 shares

⁷ The performance was adjusted for distributions (dividends) of USD 5.589.

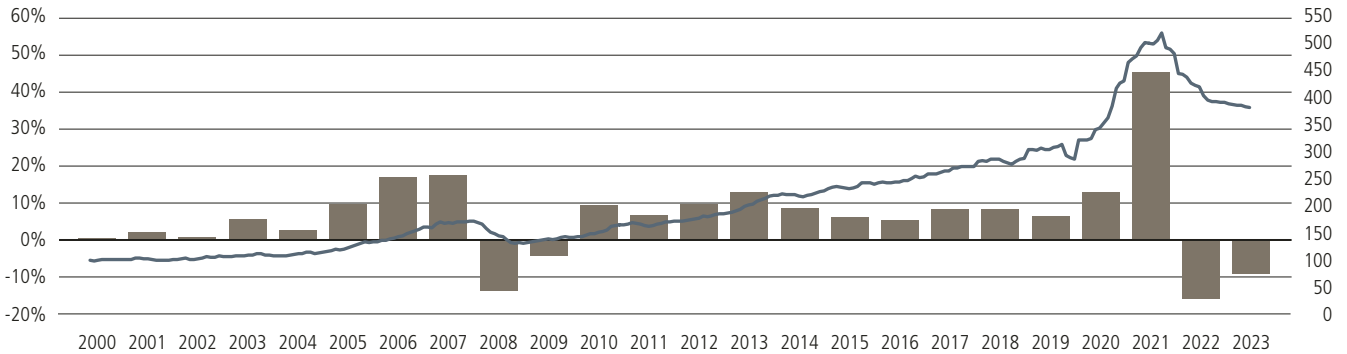
⁸ The performance was adjusted for distributions (dividends) of USD 10.446.

⁹ The performance was adjusted for distributions (dividends and nominal value repayment) of USD 5.589 (2023), USD 10.446 (2022), USD 10.818 (2021), USD 41.414 (2019), USD 35.184 (2018), USD 61.880 (2017), USD 49.986 (2016), USD 56.122 (2015), USD 71.503 (2014), USD 5.315 (2013) and USD 2.533 (2012).

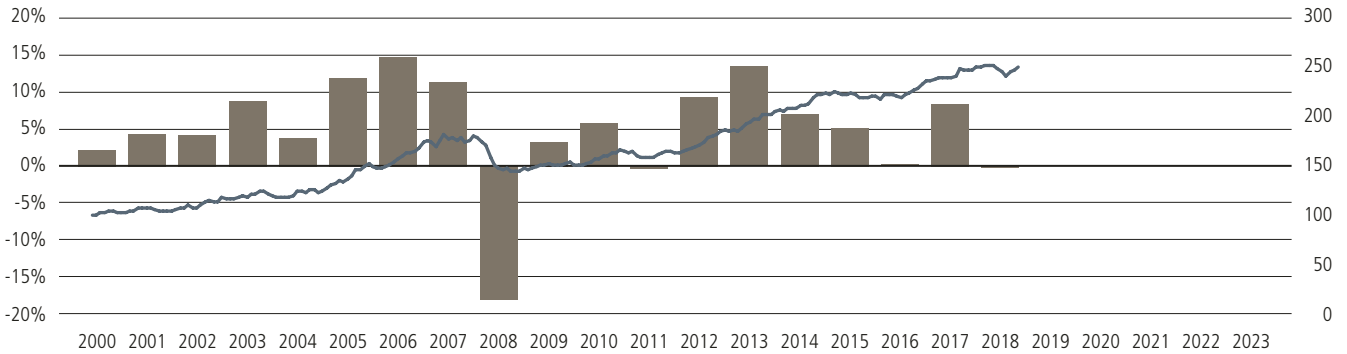
¹⁰ The performance was adjusted for distributions (dividends and nominal value repayment) of USD 10.446 (2022), USD 10.818 (2021), USD 41.414 (2019), USD 35.184 (2018), USD 61.880 (2017), USD 49.986 (2016), USD 56.122 (2015), USD 71.503 (2014), USD 5.315 (2013) and USD 2.533 (2012).

¹¹ Based on the unaudited statements as of December 2023.

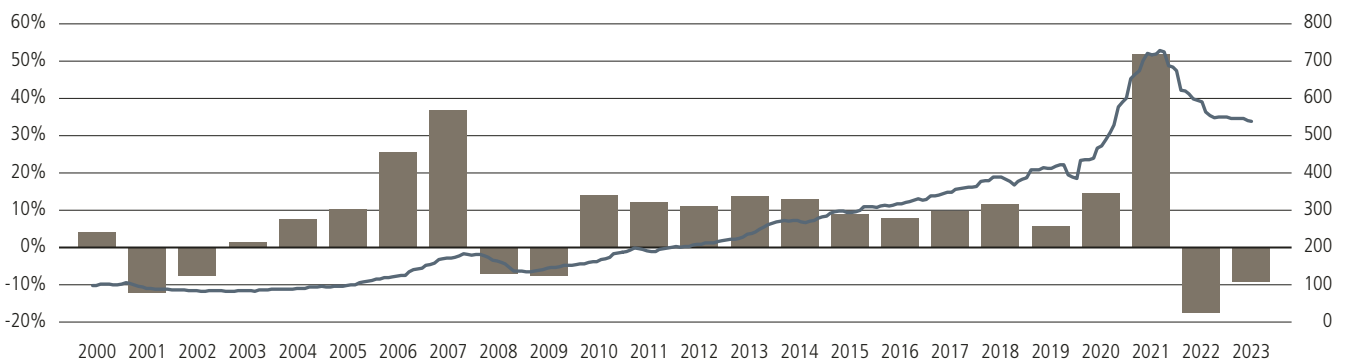
Performance (since inception)¹



AP Hedge Funds Performance^{2, 3}



AP Private Equity Performance²



■ Annual return % (left-hand scale)
 — Indexed performance (right-hand scale)

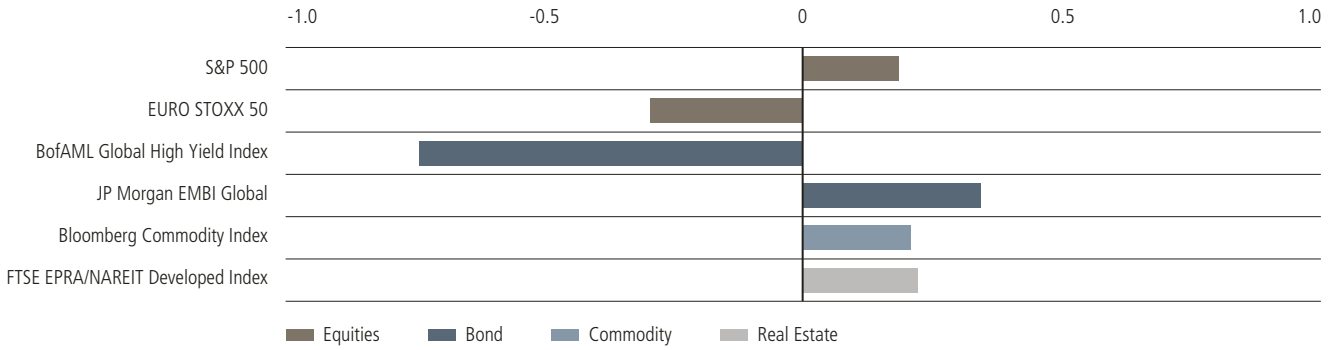
Past performance is no guarantee of future developments.

¹ Based on the unaudited statements as of December 2023. The performance was adjusted for distributions (dividends and nominal value repayment) of USD 5.589 (2023), USD 10.446 (2022), USD 10.818 (2021), USD 41.414 (2019), USD 35.184 (2018), USD 61.880 (2017), USD 49.986 (2016), USD 56.122 (2015), USD 71.503 (2014), USD 5.315 (2013) and USD 2.533 (2012).

² Gross performance of portfolio funds based on the unaudited statements as of December 2023.

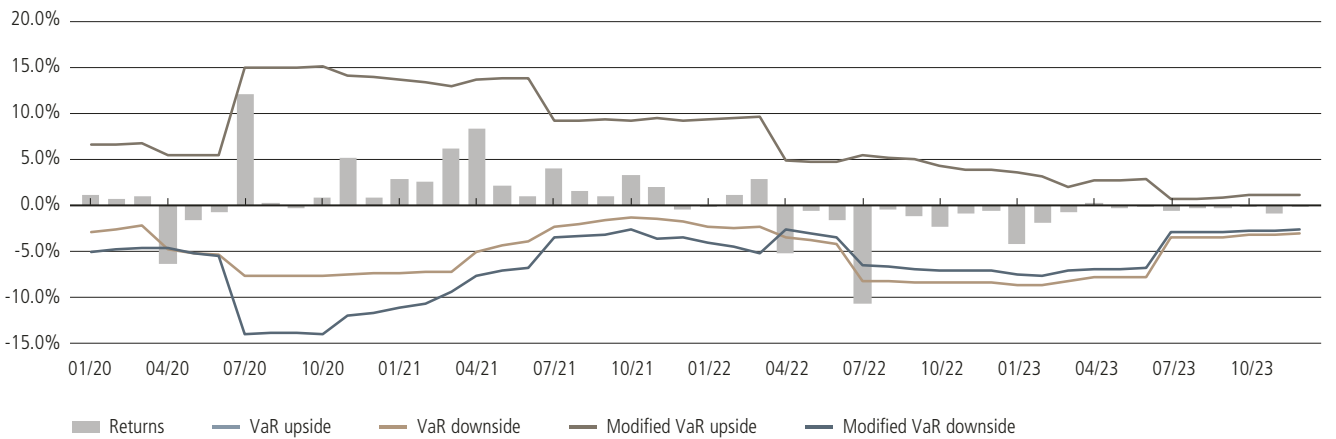
³ Hedge Fund positions were liquidated as of March 31, 2019.

Beta against market factors and VaR curves in a rolling time window, subject to special consideration of higher moments



The chart displays classical multiple betas (i.e. sensitivities) of the portfolio returns against some of the most common market factors obtained by a multiple regression. The regression was calculated over the last 4 years. These betas have to be understood as ex-post betas. They do not necessarily indicate a causal relationship and can increase due to three different effects: (i) correlation increases, (ii) fund volatility increases, or (iii) index volatility decreases.

Rolling VaR envelope under special consideration of higher moments



The chart shows the upper and lower VaR with a 95% confidence interval calculated with a rolling 12-month time frame. The bars represent the monthly pro forma returns of the portfolio at quarter end. In other words, under standard assumptions the possibility that the return lies within these VaR boundaries is 95%. A bar outside the VaR envelope signals the occurrence of a tail event.

The modified VaR accounts for the skewness and kurtosis of the returns distribution. For example, a strong positive skewness leads to a modified VaR upside that is higher than the VaR upside. A strong kurtosis results in a stronger modified upside and downside VaR than the ones under the assumption of no skewness.

Source: UBS Asset Management
Past performance is not indicative of future results.

3. Report of the Board of Directors

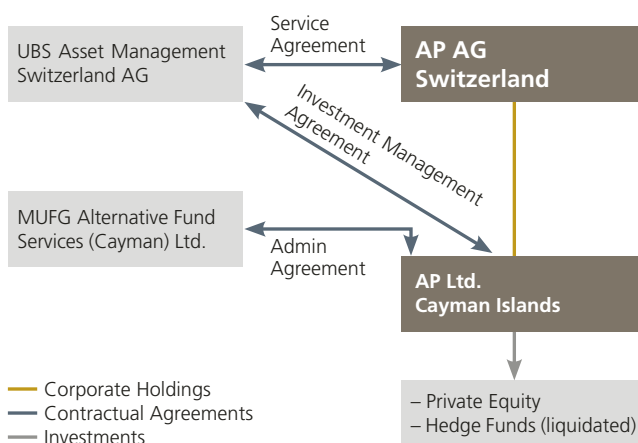
3.1. Company profile and corporate organisation

The investment company AP Alternative Portfolio AG (AP AG) is an associated company domiciled in Zurich, Switzerland. It was founded on October 12, 2000 as UBS Alternative Portfolio AG and renamed AP Alternative Portfolio AG on August 29, 2014. Its shares have been listed at the BX Swiss (former BX Berne eXchange) since September 30, 2014.

In line with the company's decision (General Meeting 2013) no longer to make any new investments in private equity and to return the liquid funds to the shareholders as quickly as possible, the investment policy, strategy and process described below applies only to the extent as it describes the investment philosophy of the already made capital commitments to private equity funds. Based on this resolution and the long-term goal to return free liquidity to the shareholders, all Hedge Fund positions were liquidated as of March 2019.

Corporate organisation

The company's current organisation is as follows:



Board of Directors

According to the company's Articles of Association, the Board of Directors shall consist of at least two and no more than seven members. The Board of Directors is responsible for managing the company's business in accordance with the Articles of Association. Since September 2014, the Board of Directors has also assumed executive responsibility. Its range of duties

includes the elaboration of the general business policy and the investment policy pursued by the subsidiaries. Members of the Board of Directors as of December 31, 2023:

- Dr. Ulrich Niederer: formerly Managing Director at UBS AG and Chairman of UBS Global Asset Management Switzerland
- Prof. Dr. Rolf Watter: lawyer at the firm Bär & Karrer AG

Executive Committee

Since the IPO as end of September 2014, the executive management has been the responsibility of the members of the Board of Directors pursuant to Art. 25 of the Articles of Association.

Investment Manager

UBS Asset Management Switzerland AG

Auditors

Ernst & Young AG, Zurich

Investment team

The investment team comprises experienced investment specialists who have built up extensive experience and expertise in the field of alternative investments within UBS Asset Management.

AP Alternative Portfolio AG

Registered Office

AP Alternative Portfolio AG
 c/o UBS Asset Management Switzerland AG
 P.O. Box
 CH-8098 Zurich, Switzerland

Alternative Portfolio Limited (Cayman Islands)

Registered Office

Alternative Portfolio Limited (Cayman Islands)
 P.O. Box 265GT
 George Town
 Grand Cayman
 Cayman Islands

Board of Directors Alternative Portfolio Limited

Cassandra Powell and Melanie Lewis

Administrator and Investment Advisor
 MUFG Alternative Fund Services (Cayman) Limited

Fee structure

Management fee

Debited quarterly; 0.80% p.a. of the net assets and a minimum of CHF 600,000.

Performance fee

Debited annually, only if absolute performance exceeds 5% p.a. (hurdle rate, outperformance), in addition to the management fee.

The performance participation amounts to

- 15% of the performance in excess of 5% p.a. (absolute performance between 5% and 10% p.a., max. 0.75% of NAV) plus
- 25% of the performance in excess of 10% p.a. (absolute performance between 10% and 15% p.a., maximum 1.25% of NAV).

From an absolute performance in excess of 15% p.a., the performance fee is limited to a flat fee of 2% p.a. of the NAV.

The hurdle rate is equal to 5% with respect to the calendar year. The hurdle rate is cumulative from year to year.

A High Water Mark applies, which means an amount equal to the larger of

- the high water mark on the immediately preceding performance fee determination date or
- the net asset value on the immediately preceding performance fee determination date less the amount of the performance fee determined as of such immediately preceding performance fee determination date.

The total fees paid or accrued in favour of UBS in the reporting year are detailed on page 28 to 29.

3.2. Report of the past financial year

Private equity: market and performance of AP Alternative Portfolio AG¹

In mid-2023, the private equity landscape demonstrated resilience following a turbulent start, notably marked by the collapse of Silicon Valley Bank triggering a banking crisis in the US. Fortunately, US regulators swiftly intervened to stabilize the situation, alleviating market panic within days. However, deal volume and exit activity began to slow down, seen as a natural correction after the boom experienced in 2021. Despite these initial challenges, 2023 showed signs of modest growth for private equity, indicating a return to stability after the upheavals of 2022 and the exceptional performance seen in 2020–2021. Nonetheless, transactions proceeded at a slower pace as market participants adjusted to more conservative valuations and increased debt capital costs. Fundraising also experienced a slow-down across the board, particularly affecting smaller funds, with new funds seeing smaller increases in size. As the year progressed, private equity and venture capital fund returns rebounded, showing positive valuation gains after a challenging period in 2022. Although deal activity remained positive, the overall environment was tempered by expensive debt, especially impacting venture capital transactions. However, there were indications of a recovery in VC activity, with expectations of acceleration in the second half of 2024, provided broader economic challenges could be avoided. While private equity and venture capital markets exhibited mixed results in 2023, the challenges were more pronounced in the venture capital segment, which faced a prolonged downturn across regions expected to persist until later in 2024. Private equity, on the other hand, had more capital reserves to navigate through the cycle, although fundraising slowed for all but the largest and best-performing funds. Looking ahead, a return to more normalized conditions is anticipated in the coming quarters, potentially facilitated by more active IPO markets and stability in the global economy. Throughout these fluctuations, the investment thesis remains positive for growth equity and

¹ Source: UBS Asset Management, Real Estate & Private Markets (REPM); May 2023 for Q1, August 2023 for Q2 and Q3, February 2024 for Q4; PitchBook as of May 2023 for Q1, August 2023 for Q2, November 2023 for Q3, February 2024 for Q4

Please note that data is sometimes revised in subsequent quarters by Pitchbook, our data provider

buyouts, particularly in the lower middle market, emphasizing a long-term perspective amidst short-term challenges.

North America

In 2023, the North American private equity landscape experienced fluctuations, characterized by a recovery in Q1 and Q2, steady buyouts but struggling VC exits in Q4. North America saw a decline in buyout and growth deal volume from Q4's record high to USD 79 billion in Q1 2023, with significant transactions including Coupa and Atlas Air buyouts. VC deal value stabilized at USD 60 billion in Q1, with exits at USD 20 billion. Q2 witnessed a recovery in buyout and growth deal volume to USD 92 billion, led by the Qualtrics acquisition, while VC deal value totaled USD 49 billion. However, exits declined to USD 10 billion, signaling ongoing valuation concerns. Q3 saw buyout and growth deal volume at USD 108 billion, with exits rising to USD 65 billion. VC deals amounted to USD 45 billion, with exit activity rebounding to USD 30 million. Overall, buyout and growth deal volume fell by 30% in 2023 to USD 396 billion from approximately USD 550 billion in each of 2021 and 2022. While VC capital invested totaled USD 197 billion, with exit activity struggling significantly and fundraising declining sharply to USD 68 billion, down from USD 164 billion in 2022.

Europe

In 2023, European private equity activity saw fluctuations across quarters. Q1 witnessed lower buyout and growth transactions, but private equity deals with infrastructure-like components were notable, including Vantage Towers and National Grid. Exits started slow at EUR 27 billion, matching Q1 2021's pace. European venture deal activity remained steady at EUR 27 billion, with active fintech participation. Q2 displayed signs of slowing in European buyout and growth transactions, with volume dropping to EUR 61 billion, while venture deal activity rebounded slightly to EUR 30 billion. Exits remained stable, but new capital formation declined. In Q3, European buyout and growth activity flattened at EUR 65 billion, while venture deal activity remained stable at EUR 26 billion. Exits improved to EUR 43 billion, marking the best quarter of the year. Fundraising also picked up in Q3. Overall in 2023, European buyout and growth activity fell by 40% to EUR 301 billion, while exit activity declined by 25%. However, fundraising remained strong at EUR 120 billion, concentrated in larger funds. In the venture capital space, activity decreased by 25% to EUR 116 billion, with exits drop-

ping sharply to EUR 47 billion. Fundraising declined to EUR 19 billion. Despite the fluctuations, European private equity and venture capital markets showed resilience, with fundraising levels remaining impressive despite the challenging environment. billion. Fundraising declined to EUR 19 billion. Despite the fluctuations, European private equity and venture capital markets showed resilience, with fundraising levels remaining impressive despite the challenging environment.

Asia-Pacific

In 2023, Asia's private equity and venture capital markets displayed varying levels of activity across quarters. In Q1, buyout deal value totaled USD 25 billion, with notable deals such as COFCO and Medit, while exits slowed to USD 9 billion. Fundraising remained strong at USD 27 billion. Venture deal value was flat compared to Q4 at USD 36 billion, with exits at USD 15 billion, and fundraising showing resilience at USD 21 billion. Q2 saw stronger buyout deal value at USD 31 billion, led by deals like Chonghe Group and SK On, while exits totaled USD 3 billion. Venture deal value held steady at USD 33 billion, with exits at USD 19 billion, and fundraising down significantly. In Q3, Asia's buyout deal value surged to USD 52 billion, with a notable buyout of Toshiba. Exits grew to approximately USD 10 billion, while venture deal value slightly declined to USD 26 billion. Exits totaled USD 23 billion, and fundraising fell to USD 15 billion. Overall in 2023, Asia's buyout deal value declined by 20% to USD 138 billion, while exits fell by about 25% to USD 55 billion. Venture capital deal value decreased by a third to USD 121 billion, with exits totaling USD 68 billion and fundraising dropping to USD 69 billion. Despite the declines, Asia remained the healthiest region for completed deals, showcasing resilience amidst challenging market conditions.

Private equity portfolio of AP Alternative Portfolio AG¹

The private equity market faced challenges in 2023 due to rising interest rates, high inflation, and economic uncertainty, which dampened investment activity and exit opportunities. Buyout and growth equity deals declined compared to 2022, while venture capital investments plummeted as investors became more cautious. Consequently, further adjustments were made to the Alternative Portfolio AG's private equity portfolio. The gross loss for the fiscal year 2023 was

¹ Source: UBS Asset Management, Real Estate & Private Markets

-8.9% (based on preliminary reports from underlying funds) for AP Alternative Portfolio AG's private equity portfolio. Although the result remained negative, it showed improvement compared to the previous year's negative performance of -17.5%.

The Total Value Multiple (all capital distributions plus net asset value divided by paid-in capital) remained unchanged at around 1.72x (in USD) in 2023 compared to 2022. The main drivers of value in 2023 were the global buyout fund Silver Lake Partners III and the global growth fund Accel Growth Fund II. Silver Lake Partners III benefited from the positive stock performance of Global Blue Holding AG (NYSE: GB), a value-added tax refund company, which is the last remaining unrealized portfolio company in the fund. Similar dynamics occurred with Accel Growth Fund II, where the listed companies in the portfolio, particularly CrowdStrike Holdings, Inc. (NASDAQ: CRWD), a cybersecurity solutions provider, and Freshworks Inc. (NASDAQ: FRSH), a software development company, experienced positive market performance.

Despite these positive value drivers, they were insufficient to offset the negative returns primarily caused by Mayfield XIV and BC European Capital IX. Mayfield XIV experienced corrections in its public and private portfolios, while BC European Capital IX saw further corrections due to PetSmart, a retailer of pet products.

Realizations

Realizations in 2023 fell below expectations, attributed to the challenging market environment. Nonetheless, AP Alternative Portfolio AG generated annual liquidity inflows of USD 5.1 million, representing a decrease compared to the prior year (USD 8.4 million) and a relative decline based on the portfolio's net asset value by the beginning of the year (from 12.4% to 10.3%). Over a quarter of the liquidity inflows can be attributed to the two global and US buyout funds, Silver Lake Partners III and Madison Dearborn VI respectively. The distributions from Silver Lake Partners III in 2023 were largely related to the merger of technology companies Broadcom Inc. (NASDAQ: AVGO) and VMware, Inc. (NYSE: VMW), followed by subsequent stock sales.

Investment activities

Due to a realization strategy adopted by the board of directors in 2013, the AP Alternative Portfolio AG has not made new capital allocations to target funds since then. In 2023, capital outflows primarily consisted of management fees, reflecting the portfolio's realization phase. The largest amounts were drawn from SBCVC Fund IV, NEA 14, and Equistone European Fund IV, totaling only approximately USD 59,000 for the year 2023.

AP Alternative Portfolio with a sustainable investment strategy designed for the long haul. Reliability, patience and consistency make it as exceptional as the passion fruit.



4. Remuneration report

4.1. Remuneration report 2023

This remuneration report for the financial year 2023 discloses the remuneration system and the remuneration of the members of the Board of Directors and the Executive Committee of AP Alternative Portfolio AG. The content and scope of the disclosures is in line with the regulations of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), which entered into force on January 1, 2014.

Introductory remarks on the organizational structure of AP Alternative Portfolio AG

September 30, 2014 was the first trading day on which the registered shares of AP Alternative Portfolio AG were listed at the BX Swiss (former BX Berne eXchange). As a listed stock corporation, AP Alternative Portfolio AG is subject to the supervision and regulation of the BX Swiss and, among other things, the regulations of the ERCO.

According to Art. 25 of the Articles of Association of AP Alternative Portfolio AG ("Articles of Association"), the Board of Directors may, subject to the limitations of Art. 24 of the Articles of Association (Authority of the Board of Directors), delegate the asset management in accordance with organizational regulations in full or in part to one or several of its members or third parties, which may be legal entities. The company and its subsidiary Alternative Portfolio Limited, Cayman Islands, have engaged UBS Asset Management Switzerland AG within the Real Estate and Private Equity Markets department for the asset management.

Since the IPO, the company no longer has an executive board but only has a Board of Directors with executive responsibilities. The Board of Directors believes that this management structure is appropriate since its main role is to ensure that available funds are returned to shareholders.

Responsibilities and authority concerning the remuneration

According to the applicable Articles of Association, the Board of Directors shall submit the prospective maximum total amount of the remuneration to be paid to the members of the Board of Directors by the next annual General Meeting on the basis of the proposal of the Remuneration Committee (Art. 29 (1)).

On June 29, 2023 the shareholders adopted the following resolution and approved the following compensation of the members of the Board of Directors from the annual general meeting 2023 to the annual general meeting 2024: a maximum amount of CHF 75,000 for the compensation of both members of the Board of Directors. This amount also includes expenditure for the statutory social security charges. This amount will not be paid out until the 2024 financial year.

The resolution of the general meeting of June 29, 2022 provided for a maximum amount of CHF 75,000 (incl. the statutory social security charges) for compensation of the members of the Boards of Directors from the annual general meeting 2022 to the annual general meeting 2023, which was made in the form of a payment in cash in March 2023. The maximum amount was not exceeded. The payment amounted to CHF 73,204.60, including the statutory social security charges.

The Remuneration Committee consists of at least two members of the Board of Directors (Art. 27 (1) of the Articles of Association). The members of the Remuneration Committee are elected by the General Meeting (Art. 18 letter b) of the Articles of Association). Ulrich Niederer and Rolf Watter performed these tasks in the reported financial year. Further information on the election of the Remuneration Committee will be communicated to the shareholders in the invitation to the General Meeting.

In addition to proposing the remuneration of the members of the Board of Directors (Art. 28 no. 2), the Remuneration Committee has the following general duties and responsibilities: Proposed terms of the remuneration policy that it regularly audits, resolution concerning the concrete terms of any mandate contracts and cancellation conditions with the members of the Board of Directors, review of the compensation with the asset manager according to Art. 25 of the Articles of Association and preparation of the draft remuneration report for the full Board of Directors (Art. 28 of the Articles of Association).

Remuneration of the members of the Board of Directors

According to the applicable Articles of Association (Art. 29 no. 5) and the above resolutions adopted by the annual general meeting, the members of the Board of Directors only receive fixed remuneration.

Remuneration of the individual members of the Board of Directors in the reporting year

2023 financial year

In the financial year 2023 the Board of Directors have received CHF 73,205 (including social security contributions). This allocation is based on the resolution of the Annual General Meeting in 2022, which approved an equivalent value of up to CHF 75,000 and which was thus complied with.

As a result, the individual members of the Board of Directors received the following remuneration in the 2023 financial year:

Name/function	Fixed BoD compensation CHF	Social security contributions CHF	Total CHF
Dr. Ulrich Niederer, Chairman	35,000	965	35,965
Prof. Dr. Rolf Watter, Vice-Chairman	35,000	2,240	37,240
Total	70,000	3,205	73,205

2022 financial year

In the financial year 2022, both members of the Board of Directors have received CHF 73,405 (including social security contributions). This allocation is based on the resolution of the Annual General Meeting in 2021, which approved an equivalent value of up to CHF 75,000 and which was thus complied with.

As a result, the individual members of the Board of Directors received the following remuneration in the 2022 financial year:

Name/function	Fixed BoD compensation CHF	Social security contributions CHF	Total CHF
Dr. Ulrich Niederer, Chairman	35,000	1,165	36,165
Prof. Dr. Rolf Watter, Vice-Chairman	35,000	2,240	37,240
Total	70,000	3,405	73,405

Remuneration of the members of the Executive Committee

Since August 29, 2014, the company no longer has any Executive Committee.

Benefits, contractual conditions when leaving AP Alternative Portfolio AG

No member of the Board of Directors has any contract with AP Alternative Portfolio AG under which he would be granted severance pay when leaving the company.

Related party loans

As of December 31, 2023, there were no outstanding loans that AP Alternative Portfolio AG had granted to current or former members of the Board of Directors, the Executive Committee or related parties.

Other remuneration of related parties at non-market conditions

As of December 31, 2023, the company had not granted any benefits to related parties at non-market conditions. Apart from this, please refer to page 28.

Remuneration of former members of governing bodies

In the reporting year 2023, no compensation was paid to former members of governing bodies.

4.2. Report of the statutory auditors



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CH-8010 Zurich

Phone: +41 58 286 31 11
www.ey.com/en_ch

To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 28 May 2024

Report of the statutory auditor on the audit of the remuneration report



Opinion

We have audited the remuneration report of AP Alternative Portfolio AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables on pages 14 and 15 of the remuneration report.

In our opinion, the information pursuant to Art. 734a-734f CO in the remuneration report complies with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the remuneration report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the tables in the remuneration report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the

preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd



Eveline Hunziker
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Thomas Kaufmann
(Qualified
Signature)

Licensed audit expert

5. Consolidated financial statements of AP Alternative Portfolio Group

5.1. Balance sheet and income statement

Consolidated balance sheet of AP Group in USD

Assets	Notes	31.12.2023 unaudited	31.12.2022 unaudited
Current assets			
– Cash, cash equivalents		7,527,459	4,256,763
– Accumulated revenues and advance payments	C1, C2	10,484	156,762
– Other receivables	C2	144,607	8,679
Total current assets		7,682,550	4,422,203
Long term assets			
– Private Equity at fair value through profit or loss	C1, C3, D	39,933,701	45,264,123
Total long-term assets		39,933,701	45,264,123
Total assets		47,616,252	49,686,326
Liabilities and shareholders' equity			
Current liabilities			
– Accrued expenses	C14	287,164	213,740
– Accrued management fee	C7	179,686	163,460
– Accrued performance fee	C7	–	–
Total current liabilities		466,850	377,200
Shareholders' equity			
– Share capital	C4	271,018	271,018
– Capital reserves		23,059,628	24,181,667
– Own Shares	C12	–	–
– Retained earnings		59,690,206	60,764,543
– Translation differences	C5	-35,871,450	-35,908,102
Total shareholders' equity		47,149,402	49,309,126
Total liabilities and shareholders' equity		47,616,252	49,686,326
Net asset value per share		234.54	245.28

Consolidated income statement of AP Group in USD

	Notes	2023 unaudited	2022 unaudited
Operating income			
– Realised gain from financial investments	E	3,057,137	3,723,188
– Unrealised loss from financial investments	E	-3,321,282	-19,156,252
– Interest income	C6	161,812	–
– Other income		–	1,212
Total operating income		-102,333	-15,431,852
Operating expenses			
– Management fees	C7	673,599	632,111
– Performance fee		–	–
– Audit expenses	C9	53,242	67,825
– Legal & consulting fees	C9	46,315	126,787
– Service fees	C7	102,550	150,825
– Personnel expenses	C8	78,884	113,367
– Other expenses	C7 and C10	9,053	371,248
– Exchange rate differences		8,361	3,326
Total operating expenses		972,005	1,465,490
Loss/Profit for the period before taxes		-1,074,338	-16,897,342
Taxes		–	–
Loss/Profit for the period	C1	-1,074,338	-16,897,342
Loss/Earnings per share	C11	-5.34	-66.59

Consolidated statement of comprehensive income, in USD

	2023 unaudited	2022 unaudited
Loss/Profit for the period	-1,074,338	-16,897,342
Other comprehensive income in equity		
Translation differences	36,652	-130,400
Total other comprehensive income	36,652	-130,400
Total comprehensive income for the year	-1,037,686	-17,027,742
Attributable to:		
Equity holders of the parent	-1,037,686	-17,027,742
	-1,037,686	-17,027,742

AP Alternative Portfolio, with an experienced investment team that has remained stable for years. As indispensable for investment decisions as cardamom in Indian cuisine.



5.2. Statement of changes in equity and cash flow statement

Consolidated statement of changes in equity, in USD

	Share capital	Own shares	Additional paid-in capital (capital reserves)	Retained earnings	Translation difference	Total
Balance at January 1, 2022	373,467	–	39,197,916	85,569,773	-35,777,702	89,363,454
Loss/Profit for the period				-16,897,342		-16,897,342
Other comprehensive income					-130,400	-130,400
Total comprehensive income for the financial year	–	–	–	-16,897,342	-130,400	-17,027,742
Cost for capital increase/decrease						–
Capital decrease	-102,449		102,449			–
Capital increases						–
Purchase of own shares		-21,106,115				-21,106,115
Cancellation of own shares		21,106,115	-21,106,115			–
Allocation to reserves			7,907,887	-7,907,887		–
Dividends distributed			-1,920,470			-1,920,470
Balance as of December 31, 2022	271,018	–	24,181,667	60,764,544	-35,908,102	49,309,126
Balance at January 1, 2023	271,018	–	24,181,667	60,764,544	-35,908,102	49,309,126
Loss/Profit for the period				-1,074,338		-1,074,338
Other comprehensive income					36,652	36,652
Total comprehensive income for the financial year	–	–	–	-1,074,338	36,652	-1,037,686
Cost for capital increase/decrease						–
Capital decrease						–
Capital increases						–
Purchase of own shares						–
Cancellation of own shares						–
Allocation to reserves						–
Dividends distributed			-1,122,039			-1,122,039
Balance as of December 31, 2023	271,018	–	23,059,628	59,690,207	-35,871,450	47,149,402

Consolidated statement of cash flows for January 1 – December 31, in USD

Cash flow from operating activities	2023	2022
Interest received	161,812	–
Operating expenses	-1,066,756	-3,960,410
Total cash flow from operating activities	-904,944	-3,960,410
Cash flow from investing activities		
Purchase of investments	-58,937	-367,625
Sale proceeds and distributions received from investments	5,267,758	8,282,472
Total cash flow from investing activities	5,208,820	7,914,847
Cash flow from financing activities		
Purchase of own shares	–	-21,106,115
Distribution from reserves from capital contribution	–	–
Dividends distributed	-1,122,039	-1,920,470
Capital reduction costs	–	-15,730
Total cash flow from financing activities	-1,122,039	-23,042,315
Currency differences on liquid funds	88,858	707,828
Change in cash and cash equivalents	3,181,837	-19,087,878
Cash and cash equivalents at the beginning of the period	4,256,763	22,636,813
Cash and cash equivalents at the end of the period	7,527,459	4,256,763

5.3. Notes to the consolidated financial statements

The present annual report was adopted on May 28, 2024 by the Audit Committee on behalf of the Board of Directors of AP Alternative Portfolio AG. The annual report will be presented for approval to the General Meeting on June 26, 2024.

The present financial statements were prepared in accordance with the IFRS Accounting Standards.

A) General information

1) Organisation

The investment company **AP Alternative Portfolio AG (AP AG)** is domiciled in Zurich, Switzerland. It was founded on October 12, 2000 as UBS Alternative Portfolio AG according to the provisions of the Swiss Code of Obligations (CO) and renamed AP Alternative Portfolio AG on August 29, 2014. Its shares have been listed at the BX Swiss (former BX Berne eXchange) since September 30, 2014. The purpose of AP AG is the direct or indirect acquisition, management and disposal of domestic and foreign companies, funds and other legal entities which specialise in alternative investments.

AP AG may establish or acquire domestic and foreign subsidiaries, and undertake all business activities and conclude all contracts which may be suitable to achieve or promote the purpose of AP AG. AP AG's investment objective is to achieve long-term capital appreciation for its shareholders by investing in alternative asset classes, namely private equity and hedge funds. AP AG may also make direct investments in operating companies for this purpose.

At the 2013 annual general meeting, the company's shareholders decided to discontinue new private equity investments, but only to fulfil commitments already made. To always have sufficient liquidity for the fulfilment of commitments, they also decided to keep the required liquidity in cash or to invest it in hedge fund shares. Based on this resolution, the long-term goal is to return free liquidity to the shareholders. As of March 2019 all Hedge Fund positions were liquidated.

AP AG currently holds a fully owned subsidiary, **Alternative Portfolio Limited (AP Ltd.)**. The activities of AP Ltd. are limited to acquiring, managing, disposing

of and reinvesting in private equity, hedge funds and other alternative investments.

UBS Asset Management Switzerland AG serves as an investment manager for AP Ltd., constantly advising the company as provided for by the investment guidelines and analysing possible investments within the parameters of the target structure. MUFG Alternative Fund Services (Cayman) Limited serves as the administrator of AP Ltd.

AP Alternative Portfolio (the **Group**) does not have any employees, and personnel expenses are limited to the remuneration of the Board of Directors. Substantial portions of AP AG's assets are invested in USD or other foreign currencies. AP AG's financial statements in CHF are therefore exposed to the effects of changes in exchange rates. For the same reason, the consolidated financial statements of the Group are prepared in USD.

AP AG's accounting period is the calendar year.

2) Scope of consolidation

AP Ltd. is a tax privileged public limited company and was incorporated as a wholly owned subsidiary of AP AG on September 8, 2000 in the Cayman Islands. The Group conducts its investment activity via AP Ltd. The Group currently comprises AP AG and AP Ltd.

3) Tax status

AP AG is subject to Swiss income tax at the federal level and capital gains tax at the cantonal and municipal levels. If from a tax point of view possible, the participation deduction will be applied for both in the case of direct federal tax and cantonal taxes, which will lead to a lower taxation of profits if approved by the tax authority.

The Group conducts its activities through its subsidiary in the Cayman Islands. These activities are not subject to any income, withholding or capital gains taxes. Generally, the Group endeavours to conduct its affairs so as to optimise taxation in any jurisdiction. The Group may invest in securities whose income is subject to non-refundable foreign withholding taxes.

4) Rounding differences

Subtotals and totals may contain rounding differences.

B) Significant accounting principles

1) Basis of presentation of the financial statements

The consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards and the listing rules of the BX Swiss (former BX Berne eXchange) and comprise AP AG and AP Ltd. presented as a single economic entity. The effects of intra-group transactions and balances were eliminated in preparing the consolidated financial statements.

The consolidated financial statements are prepared on the historical cost basis except for investments at fair value through profit/loss, which are measured and presented at their fair value.

2) Significant assumptions and estimates

In preparing the annual financial statements estimates and assumptions have to be made. These may have an influence on the reported values in the assets and liabilities, on the statement of contingent receivables and liabilities as at the balance sheet date and on the reported values for income and expenses during the year under review. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, and revised if necessary. The corrections are recognised in the period in which the estimate is corrected insofar as the corrections only relate to this period. If the correction relates to both the current and future periods, it will be recognised in the period of the correction and in the future periods.

3) Changes in accounting policies and disclosures

3.1) New and amended standards and interpretations effective on or after January 1, 2023

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the entities consolidated financial statements.

- IASB IFRS 17 – Insurance contracts
- IASB publishes a number of minor standard amendments to IAS 1, IAS 8 und IAS 12

3.2) Standards not yet effective for the financial year January 1, 2023 and not early adopted

The following amended standards and interpretations are not yet in place (new introduction as of 1 January 2024) and will not early implemented by the Group:

- ISAB IFRS 16 – Lease Liability in a Sale and Leaseback
- ISAB IAS 7 und IFRS 7 – Supplier Finance Agreements
- IASB publishes a number of minor standard amendments to IAS 1 and IAS 21

The Group assessed the impact of the above mentioned new standards, interpretations, and amendments and concluded that there are no substantial effects and changes in the accounting policies of AP Alternative Portfolio AG as already implemented or due to the adoption of those.

4) Cash and cash equivalents

Cash and cash equivalents consist of short-term bank deposits and money market instruments. All investments with an original term of 90 days or less are regarded as cash and cash equivalents.

5) Receivables from investments sold and other receivables

This position reflects the value of investments sold at balance sheet closing but not credited to the Group's bank accounts.

6) Advance payments for financial investments

This position contains the countervalue of new investments paid in advance as at the balance sheet closing date.

7) Foreign currency translation

Foreign currency transactions are translated at the applicable daily rate. The accounts of AP Ltd. and the Group are kept in USD. The accounts of AP AG are kept in CHF, with the balance sheet translated into USD at year-end rates and the income statement translated into USD at a representative average exchange rate for the financial year; this does not apply to share capital, capital reserves and the retained earnings, which are recorded at a historical rate. The cumulative net translation difference is recognised in shareholders' equity.

8) Presentation currency

The Group's activities are largely focused on investments in USD and thereof the Groups results are presented in USD. Due to AP AG's domicile in Switzerland, financial statements are presented in the local currency

(Swiss Franc) within section 6. Financial statements of AP Alternative Portfolio AG. The functional currency of the relevant companies is determined using the criteria of IAS 21.

9) *Investments in private equity*

Securities transactions are recorded on a trade date basis. Investments in other investment companies not publicly traded are valued at the underlying net asset value (NAV) as notified by the managers or administrators of these investment companies, unless the directors are aware of good reasons why such a valuation would not represent fair value. All fair valuations may differ from values that could be achieved if liquid markets existed, and the differences could be material. Changes in fair value are taken into account in the income statement. The assets are managed and the respective performance is evaluated on a fair value basis and thus reflected in the consolidated income statement. Investments in offshore investment companies are valued at estimated fair value. Fair value is based on the NAV of the shares in each invested company.

Changes in the net asset value of shares in private equity are recognised as unrealised gains or losses through profit or loss. The unrealised losses for the period are based on the net asset values as estimated by the private equity administrators. The investments in private equity are not publicly traded; AP Alternative Portfolio valuations are therefore based on the NAV estimates. Dividends from investments in private equity companies are accounted for at the time upon declaration in the consolidated income statement within realised gains from financial investments.

10) *Fair value of financial instruments*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level I: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level II: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level III: techniques using inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The AP Alternative Portfolio with **its first-class performance track record in private equity and hedge fund investments**. Sweet and juicy once ripe, the lychee has established its great value in our culinary arts.



Financial investments: Fair value hierarchy**As at December 31, 2023**

Amount in USD	Level I	Level II	Level III	Total
Investments at fair value through profit or loss – designated	–	–	39,933,701	39,933,701
Total asset measured at fair value	–	–	39,933,701	39,933,701

As at December 31, 2022

Amount in USD	Level I	Level II	Level III	Total
Investments at fair value through profit or loss – designated	–	–	45,264,123	45,264,123
Total asset measured at fair value	–	–	45,264,123	45,264,123

Reconciliation of fair value measurements of Level III financial instruments

Amount in USD	1.1.2023–31.12.2023
January 1, 2023	45,264,123
Total purchases	58,937
Total distributions and sale proceeds	5,267,758
Reclassification	–
Total realised gains/(losses)	3,056,664
Total change in unrealised gains/(losses)	-3,178,266
December 31, 2023	39,933,701

Amount in USD	1.1.2022–31.12.2022
January 1, 2022	68,694,163
Total purchases	367,625
Total distributions and sale proceeds	8,282,472
Reclassification	–
Total realised gains/(losses)	3,731,114
Total change in unrealised gains/(losses)	-19,246,306
December 31, 2022	45,264,123

The funds are periodically audited on the basis of the liquidity criteria explained on page 25 and were updated accordingly. In the reporting period that ended on December 31, 2023, there were no reclassifications from Level III to Level II.

11) Valuation process for Level III valuations

In determining the fair value of Level III investments, the Group relies on the valuation as reported in the latest available financial statements and/or capital account statements provided by the fund manager, unless the investment manager or the board of directors are aware of reasons that such a valuation may not be the best approximation of fair value. In such cases the Group reserves the right to assign a fair value to such investment which differs from the one reported.

Sources of fair value per reporting date	% of total fair value	Valuation technique
Private Equity Funds: 2023 Q4 account statement	96.4%	Reported NAV
Private Equity Funds: 2023 Q3 account statement	3.6%	Adjusted NAV

The Group is exposed to a variety of market risk factors which may change significantly over time. As a result, measurement of such exposure at any given point in time may be difficult given the complexity and limited

transparency of the underlying investments. Therefore, a sensitivity analysis is deemed of limited explanatory value or may be misleading.

12) Distribution of profit

AP AG intends to distribute a dividend of CHF 12 per share. For the previous year, dividends of CHF 5 per share were paid.

13) Segment reporting

The Group has performed the necessary analysis to identify the operating segments of the Group and came to the conclusion that the Group is organised and operates as one segment. The Group engages in only one activity from which it earns revenues and incurs expenses, which is selecting and investing in a broadly diversified portfolio of mainly hedge funds and private equity funds. The portfolio is geographically broadly diversified. The Group does not provide any services to customers. Consequently, no segmental reporting is provided in the consolidated financial statements.

AP Alternative Portfolio, **constant even in difficult times**. As highly esteemed as saffron, which throughout history has never lost its value.



C) Comments on the consolidated financial statements

1) Events after the balance sheet date

There were no material events after the balance sheet date which would require additional disclosure or adjustments to the 2023 consolidated financial statements.

2) Receivables from investments sold, accrued income and prepaid expenses and other receivables

As of the balance-sheet date there were no receivables from investments sold.

In the prior year, there were no receivables from investments sold.

As of the balance-sheet date, accrued income and prepayments stood at USD 10,484 (2022: USD 156,762).

Other receivables in the amount of USD 144,607 (2022: USD 8,679) include outstanding value-added tax balances with the Swiss Federal Tax Authority (USD 826) and outstanding distributions from Activa Capital Fund II (USD 58,889), Gores Capital Partners II (USD 21,418), Vestar Capital Partners V (USD 10,317) and Nexus Ventures III (USD 52,157).

3) Financial investments

The investment table, which forms part of these notes, is disclosed on pages 34 to 37 and relates to IFRS 7.

The market value of the relevant investments is USD 39,933,702 (2022: USD 45,264,123). At the closing date, open commitments amounted to USD 10,112,408 (2022: USD 10,396,891).

4) Share Capital

As of December 31, 2023 the equity of AP AG amounted to CHF 281,440.60 (2022: CHF 281,440.60) or USD 271,018 (2022: USD 271,018), subdivided into 201,029 registered shares with a par value of CHF 1.40. All equities were fully paid up. All shares equate to one vote and represent an equal entitlement to dividends.

The ordinary General Assembly of June 29, 2023 approved a dividend distribution of CHF 5 per share. The distribution was made with value of July 6, 2023.

5) Translation differences

Translation differences are due to the fact that the exchange rate used to translate the financial statements into USD is based on year-end rates (balance sheet) or a representative average rate (income statement). The year-end rate was CHF 0.84170 per USD (2022: 0.92429) and the average rate was CHF 0.89778 per USD (2022: 0.95356).

6) Interest income

Interest income is earned on cash balances, from debt securities and various other instruments. All interest income has been accrued as of the balance sheet date and is reflected in the income statement.

7) Related party transactions

The Group has delegated investment management and accounting services to UBS AG, respectively UBS Asset Management Switzerland AG. The management fee owed for these services is 0.80% of the net asset value, but no less than CHF 600,000, per year (2022: same), is invoiced quarterly and payable in arrears. For consolidation and other services for the Group, UBS Switzerland AG receives an annual service fee of CHF 12,000 (2022: same).

In the 2023 financial year, the direct fees paid or payable to UBS totaled USD 687,856 (2022: USD 699,190). They were split into USD 673,599 for management fees (2022: USD 632,111), USD 0 performance fees (2022: USD 0) and USD 14,257 for the service fee (2022: USD 12,983).

The Group's private equity portfolio contains an investment in the UBS Private Equity Global II fund, which is managed by UBS Asset Management Switzerland AG. No management fees incurs in the invested fund share class.

In the 2023 financial year, USD 507 (2022: USD 21,198) was billed for services provided by the Swiss law firm of Bär & Karrer AG – in which Rolf Watter served as a member of the Board of Directors until September 2009 and is currently a partner – in connection with assessing regulatory requirements of the new website.

8) Remuneration of the Board of Directors/personnel expenses

The remuneration system and the remuneration of the members of the Board of Directors of AP Alternative Portfolio AG are presented in the audited remuneration report starting on page 14.

9) Audit, legal and consulting fees

Audit costs amounted to USD 53,242 (2022: USD 67,825). External costs for the Board secretary, accounting and general legal advice amounted to USD 46,315 (2022: USD 126,787).

10) Other operating expenses

For 2023, the capital tax rate amounted to 0.0172% of AP AG's equity (2022: 0.0172%). Due to the abolition of the holding privilege, AP Alternative Portfolio AG is subject to ordinary taxation. Profit taxes do not accrue or apply to a small extent in the reporting period as a result of the use of the participation deduction. In 2023, no expenses were accrued (2022: same).

11) Earnings per share (EPS)

The average number of shares outstanding (including own shares) was 201,029 (2022: 253,770). The loss per share came to USD 5.34 (2022: loss of USD 66.59 per share). The calculation of earnings per share is based on the average number of outstanding shares weighted over the year.

12) Transactions with own shares

In the 2023 reporting period, AP AG did not carry out any share buy-backs. AP AG is not holding own shares as of the balance-sheet date.

In the 2022 reporting period, AP AG completed a Dutch Auction share buy-back for CHF 19,499,940 (book value: USD 21,106,115). 72,222 shares were bought back in March at a price of CHF 270 in order to be cancelled. AP AG was not holding own shares as of balance-sheet date.

13) Open foreign currency forward contracts

The Board of Directors of AP Alternative Portfolio AG has stated in a written resolution not to trade in derivatives. Accordingly, the company waived the documentation requirements pursuant to Art. 113 para. 1 FMIA (Financial Market Infrastructure Ordinance). Hedge accounting is not conducted. As at December 31, 2023, there were no open foreign currency forward contracts (2022: same).

14) Accrued expenses

As of the balance-sheet date, accruals and deferrals stood at USD 287,164 (2022: USD 213,740). The most important items include audit costs of USD 112,867 (2022: USD 51,066) and remuneration for members of the Board of Directors (including social security costs) in the amount of USD 83,759 (2022: USD 76,275).

15) Securities Lending

There was no securities lending during the reporting period.

16) Retrocessions

No retrocessions were collected in 2023 (2022: unchanged).

D) Risk management*1) Corporate Governance*

The Board of Directors bears the entire responsibility for AP AG according to law and the Articles of Association and determines the investment policy for the portfolio management. Since the IPO at the end of September 2014, the executive management has been the responsibility of the members of the Board of Directors pursuant to Art. 25 of the Articles of Association. The Board of Directors delegates certain tasks of the company that do not belong to the core management to UBS Asset Management (including contact with investors/shareholders, preparation of annual reports and other reports, performance of share buy-backs, etc.) and to other service providers (accounting, calculation of the performance, share register, etc.). The Board of Directors ensures due monitoring and regular reporting.

The Board of Directors has also appointed an Audit Committee, which monitors the activities of management and is responsible for liaising with the Group auditors. The Audit Committee consists of Dr. Ulrich Niederer and Prof. Dr. Rolf Watter, both of whom are members of the Board of Directors.

The investment controller monitors the actions taken by the Investment Manager and checks that they are carried out in line with the company's investment guidelines. The investment controller is appointed by and reports directly to the Board of Directors. The Board of Directors has appointed Risk Control at UBS Asset Management as the Group's investment controller.

2) Management of equity

In the context of the management of the equity under consideration of the going-concern principle, AP AG endeavours to ensure coverage of the ongoing financial needs, to maximize the shareholder value on a long-term basis and to return capital to the shareholders in accordance with the resolutions of the General Meeting and the Board of Directors. AP AG manages the capital structure by ensuring an adequate cash flow.

3) Selection and monitoring of fund managers

UBS Asset Management Switzerland AG as the Investment Manager of AP Ltd. is responsible for the selection and monitoring of investments, however no new investments were made. UBS Asset Management AG may also engage other internal and external experts or grant external mandates.

As part of manager selection, in-depth due diligence analysis was performed for each proposed investment. Relevant selection criteria include the fund's management team, fee and incentive structure, investment strategy, investment process and track record (performance of the investments).

After the initial investment, these criteria are monitored closely to ensure ongoing compliance with the investment guidelines and effective risk control of the fund managers.

4) Market and currency risk and diversification guidelines

AP AG invests with internal or external managers in alternative assets via single fund and fund-of-fund structures. Investing the assets with various managers means that the capital undergoes more than one selection process. AP AG invests in alternative investments, i.e. asset classes exhibiting a low correlation to global bond and equity markets under normal market conditions.

AP Alternative Portfolio is **unique** in many respects. Rather like the jambu or wax apple: red on the outside but with the taste of a green apple – and with its faint scent of roses making it so very special.

Private equity is an investment in non-public and non-quoted equity in middle-market companies or in early-stage companies with above-average growth and return potential. We distinguish between different categories in private equity according to the companies' financing structure and corporate development phases. Investments in private equity are generally illiquid and may not be transferred without the consent of other parties. Usually there is no liquid secondary market for such investments.

By investing in private equity, AP AG intends to participate in the future growth of successful companies and sectors, but also to exploit market inefficiencies. The company seeks to achieve a higher average return than the established equity markets.

Private equity investments are broken down into the following categories (stages):

- **Seed** (financing provided for product development, marketing, production and sales)
- **Start-up** (financing provided for product development, marketing, production and sales)
- **Expansion** (financing growth and expansion prior to break-even point for public offering or reorganisation and reorientation)
- **Replacement capital** (secondary market transactions and balance sheet restructuring)



- **Buyout** (financing management buyouts, external management buy-ins and purchase of shares for reprivatisation)
- **Quoted** (listed shares)

The private equity investments are valued by applying the following principles:

- 1) at cost: the investments are in line with the capital paid in to the companies (draw-downs) less distributions or write-downs;
- 2) at the maximum of the latest net asset value (NAV) as provided by the fund, less safety margins if necessary;
- 3) by applying safety margins in the case of public companies which are still in their lock-up phase, unreasonably high valuations, foreseeable tax burdens or similar cases;
- 4) by explicitly reducing a valuation provided by a fund. Valuation changes such as these are not taken into account within safety margins.

The Group uses its hedge fund portfolio to pursue the objective of benefiting from investment opportunities on the global capital markets. The capital is therefore divided between different managers who pursue a wide range of alternative investment strategies (AIS). The hedge fund portfolio was liquidated as of March 2019 to serve the company's liquidity needs and to comply with the long-term goal to return capital to the shareholders.

5) *Liquidity risk*

The company is subject to liquidity risks, in particular arising from contractual commitments towards private equity companies. These open commitments and requirements on cash flow are closely monitored. In this context, future inflows and outflows are estimated using a proprietary cash flow model. Until March 2019, excess liquidity was invested in hedge funds with various liquidity profiles. During times in which private equity funds draw down more capital than they distribute, hedge funds are redeemed to generate the required liquidity. In addition, AP AG could maintain overdraft facilities that can be used to meet short-term liquidity requirements.

Active cash management is required to replicate the specific cash flow patterns characteristic of alternative investments. The responsibility lies with the Board of Directors in consultation with the Investment Manager. To ensure that cash management is effective

and simple, liquid assets are invested in cash accounts at UBS or, if applicable, in broadly diversified money market funds with a rating of A- (S&P)/A3 (Moody's). Cash management may also involve short-term borrowing.

The company has the right to borrow. However, this right excludes any commitments in connection with currency transactions or loans on the basis of repurchase agreements. Borrowings must not exceed the total amount (less cash and short-term money market instruments) of 25% of the net assets of the AP AG portfolio. The credit limit of the Investment Manager may be exceeded on account of changes in value or redemptions by the Investment Manager. In such cases, no further borrowings may be made until external funds have fallen back below the limit again. The company will take appropriate steps to restore compliance with the limit as soon as possible, at the latest within six months following identification of the overshoot.

6) *Credit risk*

AP Alternative Portfolio is subject to credit risk since its counterparties for transactions involving cash and cash equivalents as well as private equity and hedge fund investments may in some circumstances fail to meet their repayment obligations. The Group minimises its credit risk by only entering into contractual transactions with first-class banks and other financial institutions.

Details on receivables from investments sold and other receivables are shown under notes 5.3. section C2) of this report.

Liquidity exposure in USD

As of December 31, 2023	Less than 1 month	1–3 months	No stated maturity	Total
Total open commitments	–	1,500	10,110,907	10,112,407
Payables Management and Performance Fees	–	–	179,686	179,686
Other short term liabilities	287,164	–	–	287,164
Total Payables	287,164	1,500	10,290,593	10,579,257
Cash and cash equivalents	–	–	7,527,459	7,527,459
Distributed capital from private equity funds	362,647	730,553	–	1,093,200
Total Capital Distributions	362,647	730,553	7,527,459	8,620,658
As of December 31, 2022				
Total open commitments	264	6,053	10,390,574	10,396,891
Payables Management and Performance Fees	–	–	163,460	163,460
Other short term liabilities	213,740	–	–	213,740
Total Payables	214,004	6,053	10,554,033	10,774,091
Cash and cash equivalents	–	–	4,256,763	4,256,763
Distributed capital from private equity funds	345,100	1,169,594	–	1,514,694
Total Capital Distributions	345,100	1,169,594	4,256,763	5,771,457

Exposure to credit risk in US

As of December 31, 2023	Fully performing	Total	Rating (S&P)
Cash at UBS	7,527,459	7,527,459	A+
Receivables from investments sold	–	–	
Accrued income and prepaid expenses	10,484	10,484	
Other receivables	144,607	144,607	
Total exposure to credit risk	7,682,550	7,682,550	

As of December 31, 2022

Cash at UBS	4,256,763	4,256,763	A+
Receivables from investments sold	–	–	
Accrued income and prepaid expenses	156,762	156,762	
Other receivables	8,679	8,679	
Total exposure to credit risk	4,422,203	4,422,203	

E) Investment table (all figures in USD, aggregated)

Name of fund		Commitments	Balance as per 31.12.2022
2001 Brinson Primary NON-US	EUR	841,592	0
2001 Brinson Primary US	USD	2,638,478	40,958
2002 Brinson Primary NON-US	EUR	2,392,046	24,658
2002 Brinson Primary US	USD	2,249,762	44,372
2002 Brinson Secondary NON-US	EUR	546,299	0
2002 Brinson Secondary US	USD	942,928	50,488
2003 Brinson Primary NON-US	EUR	1,626,837	0
2003 Brinson Primary US	USD	2,817,658	68,294
2003 Brinson Secondary NON-US	EUR	241,970	0
2003 Brinson Secondary US	USD	255,310	0
2004 Brinson Primary NON-US	EUR	3,389,632	212,508
2004 Brinson Primary US	USD	3,019,684	90,040
2004 Brinson Secondary NON-US	EUR	600,216	0
Abingworth Bioventures V	GBP	1,274,800	23,902
Accel Growth Fund II	USD	1,500,000	1,307,733
Accel Growth Fund XI	USD	1,000,000	972,141
Activa Capital II	EUR	3,866,275	552,649
Adams Street Global Opportunities Secondary Fund	USD	5,000,000	54,404
Adams Street Partners Offshore Company Ltd 06 DF	USD	500,000	68,414
Adams Street Partners Offshore Company Ltd 06 NON-US	USD	1,500,000	73,366
Adams Street Partners Offshore Company Ltd 06 US	USD	3,000,000	203,191
Adams Street US Partnership 2002	USD	5,000,000	55,325
Adams Street V	USD	5,000,000	10,480
Advent International GPE V-B	EUR	4,418,600	124,350
Advent International GPE VI-A	USD	3,000,000	304,790
Advent International GPE VII-E	USD	1,900,000	386,371
Adveq Asia I	USD	4,000,000	344,258
Adveq Technology III	USD	11,000,000	0
Adveq Technology V	USD	1,000,000	14,145
Affinity Asia Pacific Fund III	USD	3,000,000	185,761
Apax Europe VI	EUR	4,418,600	270,872
Apax Europe VII	EUR	4,418,600	37,768
Apax VIII	USD	2,000,000	463,564
Atlas Venture VII	USD	1,000,000	76,446
Bain Capital Fund IX	USD	2,500,000	0
Bain Capital Fund X	USD	7,000,000	866,127
Battery Ventures IX	USD	1,500,000	1,035,644
BC European Capital IX	EUR	1,656,975	806,793
Charterhouse Capital Partners VII	EUR	2,209,300	0
Charterhouse Capital Partners VIII	EUR	4,418,600	0
Chryscapital V	USD	1,900,000	0
EQT IV	EUR	1,570,812	0
EQT V (No. 1)	EUR	4,418,600	39,340
EQT VI (No. 2)	EUR	1,656,975	2,231
Equistone European Fund IV	EUR	1,767,440	351,125
Francisco Partners III	USD	2,000,000	692,889
GAM Pomona Private Equity II	USD	9,000,000	0
Gores Capital Partners II	USD	5,000,000	118,994
Gores Capital Partners III	USD	2,000,000	62,034
H.I.G. Bayside Debt & LBO Fund II	USD	2,200,000	315,249
HarbourVest Intern.Private Equity Partners IV	USD	10,000,000	0
Harvest Partners VI	USD	1,000,000	295,660
Hony Capital Fund 2008	USD	2,000,000	179,818
Hony Capital Fund V	USD	1,000,000	505,799
Infotech Pacific Venture	USD	1,000,000	183,321
Institutional Global Timber Investors 6	USD	5,000,000	0
Institutional Venture Partners XIV	USD	1,000,000	600,629
Investindustrial III	EUR	3,313,950	0
Investindustrial IV	EUR	4,418,600	0
Investindustrial V	EUR	1,656,975	683,240
IPV Capital II	USD	1,000,000	1,101,597
Madison Dearborn Capital Partners V	USD	5,000,000	155,022
Madison Dearborn Capital Partners VI-C	USD	2,000,000	245,972
Mayfield XIV	USD	1,000,000	2,467,137
MHR Institutional Associates III	USD	5,000,000	768,093
Montagu III	EUR	2,209,300	0

Purchases 2023	Withdrawals 2023	Realised gains and losses in 2023	Unrealised gains and losses in 2023	Balance as per 31.12.2023
0	0	0	0	0
0	0	0	-1,795	39,163
0	0	0	46	24,703
0	0	0	167	44,539
0	0	0	0	0
0	0	0	-1,614	48,874
0	10,081	0	10,081	0
0	0	0	-9,355	58,939
0	0	0	0	0
0	0	0	0	0
0	0	0	3,847	216,355
0	0	0	-3,880	86,160
0	0	0	0	0
0	0	0	-17,860	6,041
0	217,009	138,449	275,843	1,505,016
0	35,713	19,909	-134,978	821,359
0	59,889	0	-154,943	337,816
0	0	0	-1,695	52,709
0	1,319	1,319	-475	67,939
0	19,572	-1,314	4,198	56,678
0	18,493	-1,140	-4,048	179,510
0	10,319	-4,547	231	40,690
0	0	0	-10,480	0
0	0	0	-7,045	117,305
0	0	0	-64,091	240,699
0	95,000	45,207	-44,411	292,167
0	77,704	26,276	-35,688	257,142
0	0	0	0	0
0	5,593	-26,130	24,995	7,417
0	0	0	-16,498	169,263
0	180,966	159,532	50,481	299,918
0	0	0	31,203	68,971
0	165,519	121,523	-94,574	325,001
0	38,639	3,490	28,189	69,486
0	0	0	0	0
0	0	0	3,494	869,621
0	176,605	174,071	-74,575	958,534
3,223	1,816	1,816	-266,289	543,726
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	42,871	10,881	-7,350	0
1,548	1,548	0	-2,231	0
9,904	46,979	37,075	-75,405	275,721
0	22,000	22,000	-35,701	657,188
0	0	0	0	0
0	118,926	21,418	-21,486	0
0	94,502	67,821	22,140	57,493
0	129,736	59,327	-80,228	164,612
0	0	0	0	0
264	102,123	64,337	-103,314	154,824
0	0	0	-1,985	177,833
0	123,603	1,081	-48,126	335,151
0	0	0	28,188	211,509
0	0	0	0	0
0	166,210	90,995	-133,477	391,938
0	4	0	4	0
0	0	0	0	0
2,461	-2,274	-2,274	39,005	724,706
0	111,867	108,380	-277,908	820,202
0	184,901	148,196	-69,640	48,677
0	235,727	134,733	-133,605	11,373
0	159,886	157,347	-443,883	2,020,714
0	0	0	183,826	951,919
0	0	0	0	0

Name of fund		Commitments	Balance as per 31.12.2022
Navis Asia Fund V	USD	5,000,000	805,550
New Enterprise Associates 12	USD	1,000,000	78,302
New Enterprise Associates 14	USD	2,500,000	3,787,443
NewMargin Growth Fund	USD	2,500,000	0
Nexus India Capital II	USD	3,000,000	4,159,312
Nexus Ventures Management III	USD	1,000,000	4,087,914
Nordic Capital Partners Beta VII	EUR	5,523,250	0
Oaktree European Principal Fund III	EUR	1,656,975	727,919
Permira Europe IV	EUR	2,209,300	0
Providence Equity Partners VI	USD	3,000,000	77,866
Rutland Fund II	GBP	1,274,800	0
SBCVC Fund III	USD	3,500,000	635,476
SBCVC Fund IV	USD	2,000,000	3,334,331
Silver Lake Partners II	USD	500,000	0
Silver Lake Partners III	USD	5,000,000	1,210,165
Summit Partners Growth Equity Fund VIII	USD	2,000,000	1,069,338
Summit Partners PE Fund VII	USD	1,000,000	108,320
Sun Capital Partners V	USD	3,200,000	378,389
TA Atlantic and Pacific V	USD	1,000,000	0
TA Atlantic and Pacific VI	USD	7,000,000	367,744
U.S. Venture Partners X	USD	500,000	134,232
UBS Private Equity Global II Ltd	USD	10,000,000	3,982,887
Vantagepoint Venture Partners 2006	USD	3,000,000	646,110
VenCap 10 Euro	EUR	2,209,300	819,709
VenCap10 US	USD	6,880,000	1,149,584
Vestar V	USD	4,000,000	8,903
Warburg Pincus Private Equity IX	USD	1,000,000	396
Warburg Pincus Private Equity VIII	USD	5,000,000	0
Warburg Pincus Private Equity X	USD	7,000,000	156,273
Subtotal Private Equity		280,210,439	45,264,123
Open commitments*		10,112,407	
Translation differences			
Total Financial Investments			45,264,123

* Variations due to exchange rate differences.

Purchases 2023	Withdrawals 2023	Realised gains and losses in 2023	Unrealised gains and losses in 2023	Balance as per 31.12.2023
0	0	0	-20,355	785,195
0	27,720	0	-4,262	46,320
37,500	202,814	55,496	223,859	3,901,484
0	0	0	0	0
0	136,519	-8,405	-34,113	3,980,275
0	52,157	44,605	207,391	4,287,753
0	0	0	0	0
0	52,619	52,619	-138,739	589,179
0	0	0	0	0
0	7,863	7,485	-57,244	20,244
0	0	0	0	0
2,420	58,478	48,077	-183,171	444,324
0	73,037	-89,102	-44,425	3,127,768
0	0	0	0	0
978	879,075	678,082	-62,967	947,183
0	79,887	46,419	-96,854	939,016
0	23,251	11,614	-27,334	69,346
640	66,625	16,924	-144,660	184,668
0	0	0	0	0
0	52,500	0	-90,620	224,624
0	8,910	8,910	-8,156	126,076
0	382,783	382,783	-579,079	3,403,808
0	123,530	123,530	-157,036	489,074
0	224,897	65,271	-85,937	574,146
0	123,796	0	-171,885	853,903
0	10,317	4,436	-3,022	0
0	0	0	787	1,183
0	0	0	0	0
0	28,140	28,140	-27,743	128,530
58,937	5,267,758	3,056,664	-3,178,266	39,933,701
			-143,016	
58,937	5,267,758	3,056,664	-3,321,282	39,933,701

5.4. Report of the group auditors to the consolidated financial statements of AP Alternative Portfolio Group



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To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 28 May 2024

Report of the statutory auditor

Report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of AP Alternative Portfolio AG and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 18 to 37) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these

matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of investments in private equity funds

Risk	<p>As of 31 December 2023, investments in private equity funds amount to USD 39.9 million or 83.9% of the Group's balance sheet total. The Group values investments in private equity funds at fair value and the change in value is recognized in the consolidated income statement. Investments in private equity funds are not publicly traded. The valuation of the investments is based on the net asset value of the entity. The valuations are based on estimates which are materially discretionary and may therefore vary depending on the assessment. Due to the importance and scope of discretion of the above-mentioned balance sheet position, its valuation constituted a key audit matter. The accounting principles applied are explained in note 5.3. B) on page 24 ff. to the consolidated financial statements of AP Alternative Portfolio Group.</p>
Our audit response	<p>We tested the valuation of the private equity funds by obtaining third-party confirmations from the respective administrators. In addition, we inspected the latest available financial statements and audit reports for the private equity funds in terms of their valuation. We also inquired with management regarding significant developments in investment valuations and/or higher valuation risks. Our audit did not give rise to any objections regarding the valuation of investments in private equity funds.</p>



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTSuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd



Eveline Hunziker
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Thomas Kaufmann
(Qualified
Signature)

Licensed audit expert

6. Financial statements of AP Alternative Portfolio AG

6.1. Balance sheet and income statement

Balance sheet in CHF

Assets	31.12.2023	31.12.2022
Current assets		
– Cash and cash equivalents	330,339	524,104
– Accrued income and prepaid expenses from investments	8,825	25,583
– Other receivables	695	1,862
Total current assets	339,860	551,549
Non-current assets		
– Participation in Alternative Portfolio Ltd.	274,624,506	274,624,506
– Cumulative value adjustments (depreciations CHF/USD 2001–2004)	-47,095,406	-47,095,406
– Value adjustment 2015 (Return of Capital)	-32,570,618	-32,570,618
– Value adjustment 2016 (Return of Capital)	-27,234,854	-27,234,854
– Value adjustment 2017 (Return of Capital)	-36,441,428	-36,441,428
– Value adjustment 2018 (Return of Capital)	-21,855,211	-21,855,211
– Value adjustment 2019 (Return of Capital)	-29,005,010	-29,005,010
– Value adjustment 2020 (Return of Capital)	-1,822,199	-1,822,199
– Value adjustment 2021 (Return of Capital)	-10,129,372	-10,129,372
– Value adjustment 2022 (Return of Capital)	-23,254,105	-23,254,105
– Value adjustment 2023 (Return of Capital)	-5,812,006	–
Total non-current assets	39,404,298	45,216,303
Total assets	39,744,157	45,767,852
Liabilities and shareholders' equity		
Current liabilities		
– Accrued expenses/short-term liabilities	227,720	191,920
Total current liabilities	227,720	191,920
Shareholders' equity		
– Share capital	281,441	281,441
– Legal retained earnings	6,870,107	6,870,107
– Voluntary retained earnings		
– Cumulated profit carried forward from prior years	37,419,240	40,177,847
– Net loss/profit for the period	-5,054,351	-1,753,462
Total shareholders' equity	39,516,437	45,575,932
Total liabilities and shareholders' equity	39,744,157	45,767,852

Income statement in CHF

	1.1.–31.12.2023	1.1.–31.12.2022
Operating income		
– Dividend income	910,700	22,048,605
Total operating income	910,700	22,048,605
Operating expenses		
– Audit expenses	47,800	64,675
– Legal and consulting fees	41,581	120,900
– Service fees	16,000	9,000
– Personnel expenses	70,820	108,103
– Cost of capital increase/establishment costs	–	15,000
– Other expenses	67,680	98,915
– Value Adjustment from Financial Investments	5,812,006	23,254,105
– Exchange rate differences	7,507	3,172
Total operating expenses	6,063,393	23,673,869
Loss/Profit for the period before taxes	-5,152,693	-1,625,264
Taxes	98,343	-128,198
Loss/Profit for the period	-5,054,351	-1,753,462

6.2. Notes to the financial statements

General principles

These annual financial statements were prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). A description is provided of the key valuation principles that have been applied but are not required by law.

Decision not to prepare a cash flow statement and additional information in the notes

Since AP Alternative Portfolio Group prepares consolidated annual financial statements in accordance with a recognized financial reporting standard (IFRS), it has omitted the notes on interest-bearing liabilities and audit fees and the presentation of a cash flow statement in accordance with legal requirements.

Significant investments in other companies

The company currently owns 100% of the shares of Alternative Portfolio Limited with paid-up share capital of USD 1,455 and total equity of USD 47,016,172 as of December 31, 2023 (2022: total equity of USD 48,920,039). The activities of Alternative Portfolio Limited are limited to managing and selling the remaining private equity portfolio.

Value adjustments

The value adjustments posted until 2004 reflect the differences between the historical book values expressed in CHF and the historical USD book values of the investment in Alternative Portfolio Limited converted at the balance sheet rate. Additional value adjustments were made in 2022 and 2023 as a result of the profit distributions.

Transactions with own shares

In the 2023 reporting period, AP AG did not carry out any share buy-backs. AP AG is not holding treasury shares as of the balance-sheet date.

In the 2022 reporting period, AP AG completed a Dutch Auction share buy-back for CHF 19,499,940 (book value: USD 21,106,115). 72,222 shares were bought back in March 2022 at a price of CHF 270 in order to be cancelled. AP AG was not holding treasury shares as of December 31, 2022.

Remuneration of the Board of Directors and the Executive Committee

The remuneration system and the remuneration of the members of the Board of Directors and the Executive Committee of AP Alternative Portfolio AG are presented in the audited remuneration report starting on page 14.

Shareholders

Significant shareholders

As of December 31, 2023, the following major shareholders (with voting rights exceeding 3%) were known to the company:

Name	Number of shares	Voting right
Pensionskasse der Julius Bär Gruppe, Zug	57,575	28.64%
Pensionskasse der Stadt Biel, Biel	29,490	14.67%
Gottfried + Julia Bangerter-Rhyner Stiftung, Bern	15,086	7.50%
GAM Investment Management (Switzerland), Zürich	11,282	5.61%
Personalvorsorgestiftung Coca-Cola HBC, Brüttsellen	9,140	4.55%
GEMINI Sammelstiftung, Schwyz	8,512	4.23%
Pensionskasse Frutiger, Thun	8,000	3.98%

Shareholdings of the Board of Director

As of December 31, 2023, the shareholdings of the Board of Directors were as follows:

Name/function	Number of shares	Voting right
Ulrich Niederer, President	4,200	2.09%
Prof. Dr. Rolf Watter, Vice President	2,311	1.15%

Uncertainty regarding valuations

The valuations of private equity investments may differ significantly from the values that would be used if liquid markets existed, and the differences could be material. Such investments are valued at estimated fair value in the subsidiary, AP Ltd. Fair value is based on the net asset value (NAV) of the shares in such companies. These companies mark-to-market or mark-to-fair-value the underlying assets and liabilities. Such private equity investments account for around 84.9% (2022: 92.5%) of the net asset value of the subsidiary, AP Ltd.

Risk analysis

As of December 31, 2023, the Board of Directors of AP AG performed a risk analysis in which the material risks for the company were assessed. The risks were evaluated in respect of probability and loss potential.

6.3. Proposal of the use of the net profit

as of December 31, 2023, in CHF

	31.12.2023	31.12.2022
Retained earnings	37,419,240	40,177,847
Net loss/profit for the period	-5,054,351	-1,753,462
At the disposal of the general meeting	32,364,889	38,424,385

Use of net profit

The Board of Directors proposes to the general meeting on 26 June 2024 a distribution of CHF 12 per share.

Net profit at the disposal of the general meeting	32,364,889	38,424,385
Proposed dividend	-2,412,348	-1,005,145
Allocation to statutory retained earnings*	–	–
Retained earnings after allocation carried forward	29,952,541	37,419,240

*Given the allocation of the statutory retained earnings reached 50% of the share capital, it was decided to abstain from a further allocation.

AP Alternative Portfolio, with its notably good combination of alternative investments, is less exposed to the fluctuations of financial markets. The kiwano's protective orange shell and soft green flesh look and taste unmistakable.



6.4. Report of the statutory auditors to the financial statements of AP Alternative Portfolio AG



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To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 28 May 2024

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of AP Alternative Portfolio AG (the Company), which comprise the statement of financial position as at 31 December 2023, the statement of income for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 41 to 43) comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the financial statements.



Valuation of investment in Alternative Portfolio Ltd.

Risk	<p>As of 31 December 2023, the participation in Alternative Portfolio Ltd. amounts to CHF 39.4 million or 99.1 percent of the balance sheet total of AP Alternative Portfolio AG.</p> <p>Alternative Portfolio Ltd. holds investments in private equity funds at fair value. Investments in private equity funds are not publicly traded. The fair value of the investments is based on the net asset value of the investments. These valuations are based on estimates which are materially discretionary and may vary depending on the assessment. Such investments in private equity funds account for USD 39.9 million or 84.6 percent of the balance sheet total of the subsidiary Alternative Portfolio Ltd. The valuation of investments in private equity funds in return influences the value of the shareholding in Alternative Portfolio Ltd.</p> <p>Due to the importance and discretion of the private equity funds in the balance sheet of Alternative Portfolio Ltd., their valuation was considered a key audit matter.</p> <p>The accounting principles applied are explained in note 6.2. on page 43 of the financial statements of AP Alternative Portfolio AG.</p>
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Our audit response	<p>We tested the valuation of the private equity funds by obtaining third-party confirmations from the respective administrators. In addition, we inspected the latest available financial statements and audit reports of private equity funds in terms of their valuation. We then compared the equity of Alternative Portfolio Ltd. with the book value of this company. We also inquired management regarding significant developments in investment valuations and/or higher valuation risks.</p> <p>Our audit did not give rise to any objections regarding the valuation of the shareholding in Alternative Portfolio Ltd.</p>
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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Eveline Hunziker
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Thomas Kaufmann
(Qualified
Signature)

Licensed audit expert

7. Contacts

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AP Alternative Portfolio AG undertakes to inform its shareholders and prospective investors with utmost transparency and as early as possible. To receive the monthly reports, send an e-mail to sh-alternative-portfolio-ag@ubs.com to register yourself. Current publications are available on the website alternative-portfolio.com.

Investment information

Listing: BX Swiss
Securities number: 1147156
ISIN: CH0011471569
Ticker: APN

Before investing, please read the legal disclaimer.

This document describes AP Alternative Portfolio AG and its activities. It was written without reference to any specific investment objective, financial situation or requirement on the part of a particular individual or group. Under no circumstances does it constitute an offering prospectus within the context of Art. 652a of the Swiss Code of Obligations. This brochure cannot serve as a basis for a decision to purchase shares of AP Alternative Portfolio AG.

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